

Section 108 Loan Guarantee Program,
Economic Development Initiative (EDI), and
Brownfields Economic Development Initiative (BEDI)

Guide for Review of Section 108 Loan Guarantees and BEDI/EDI Grants			
Name of Program Participant:			
Staff Consulted:			
Name(s) of Reviewer(s)		Date	

NOTE: All questions that address requirements contain the citation for the source of the requirement (statute, regulation, NOFA, approved application, contract or grant agreement). If the requirement is not met, HUD must make a finding of noncompliance. All other questions (questions that do not contain the citation for the requirement) do not address requirements, but are included to assist the reviewer in understanding the participant's program more fully and/or to identify issues that, if not properly addressed, could result in deficient performance. Negative conclusions to these questions may result in a "concern" being raised, but not a "finding."

Instructions: The Exhibit provides program-specific monitoring guidance to be used for Section 108 Loan Guarantee, Economic Development Initiative (EDI) and Brownfields Economic Development Initiative (BEDI) projects. The Exhibit in this Chapter is to be used in conjunction with the monitoring exhibits in Chapter 3 for the Community Development Block Grant (CDBG) Entitlement program since these three programs are subject to CDBG requirements. These include Exhibits for the CDBG Entitlement program related to the applicable national objective and any activities for which specific Exhibits are provided, such as rehabilitation or economic development. Other CDBG Entitlement Exhibits related to Financial Management, Float/Interim Financing, Subrecipient Management, Overall Management Systems, Cost Allowability, Procurement, and Property and Equipment Disposition are also applicable.

This Exhibit contains 4 sections: Project/Activity Description and Eligibility; Section 108 Security Requirements; Section 108 Financial Management; and EDI/BEDI Financial Management. For purposes of this Exhibit, the term "Borrower" means a program participant (grantee) and/or any designated public agency carrying out the Section 108-assisted activity and any associated EDI or BEDI-assisted activity.

When monitoring a Borrower with several Section 108 Guaranteed Loans and/or EDI/BEDI grants, select an appropriate sample (either randomly or judgmentally selected). When monitoring a Borrower which has provided Section 108 Guaranteed Loan proceeds and/or EDI/BEDI grant funds to multiple subrecipients (e.g., through an economic development loan pool, housing rehabilitation fund), select an appropriate sample (either randomly or judgmentally selected).

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Questions:**A. PROJECT/ACTIVITY DESCRIPTION AND ELIGIBILITY**

1.

a. What is name of the project(s) or activity(ies) being reviewed?
Describe Basis for Conclusion:

b. What is the amount and type of financial assistance provided by HUD? (Identify whether it is a Section 108 Loan Guarantee only, or if EDI and/or BEDI assistance has also been provided.)
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Describe Basis for Conclusion:

2.

a. If the Borrower has been awarded EDI or BEDI funds, has the Borrower submitted an application for Section 108 assistance? [Applicable EDI/BEDI NOFA and Award Letter]	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes No N/A
Describe Basis for Conclusion:	

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b. If the answer to “a” was “yes,” was that application submitted within the specified time period (or within an extended period as approved by HUD)? [Applicable EDI/BEDI NOFA and Award Letter]	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Describe Basis for Conclusion: <div style="height: 100px; border: 1px solid black;"></div>	

3.

Has the Borrower documented efforts it has made to obtain any of the firm commitments or other financing for the activities, as described in the EDI/BEDI Application?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Describe Basis for Conclusion <div style="height: 100px; border: 1px solid black;"></div>	

4.

Is the Borrower carrying out the activity or activities described in the approved or amended Section 108 application and any associated EDI or BEDI approved or amended application(s)? [24 CFR 570.703 for Section 108 and EDI/BEDI projects; and for EDI/BEDI projects, the applicable Grant Agreement as well]	<input type="checkbox"/> Yes <input type="checkbox"/> No
Describe Basis for Conclusion: <div style="height: 100px; border: 1px solid black;"></div>	

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5.

Are, or were, the activities generally undertaken by the Borrower according to the schedule presented in the approved or amended Section 108 and/or EDI/BEDI application?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Describe Basis for Conclusion:		

6.

Have any activities been added to or deleted from the approved or amended application(s)?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Describe Basis for Conclusion:		

7.

If an activity has been added to the approved or amended Section 108 and/or EDI/BEDI application, is it eligible for assistance? [24 CFR 570.703 for Section 108 and EDI/BEDI projects; and for EDI/BEDI projects, the applicable Grant Agreement as well]	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
Describe Basis for Conclusion:			

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8.

<p>a. If an activity has been added to the approved or amended Section 108 application, has the Borrower shown evidence that HUD approved the change to the use of Section 108 funds? [24 CFR 570.704(c)(5)]</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
<p>Describe Basis for Conclusion:</p> <div style="border: 1px solid black; height: 80px; margin-top: 5px;"></div>			

<p>b. If an activity has been added to, or deleted from, an approved or amended EDI/BEDI grant agreement, has the Borrower shown evidence that HUD Headquarters approved the change to the use of EDI/BEDI funds? [EDI/BEDI Grant Agreement, Paragraph 8, or the applicable Amended Grant Agreement]</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
<p>Describe Basis for Conclusion:</p> <div style="border: 1px solid black; height: 80px; margin-top: 5px;"></div>			

<p>c. Provide the name(s) of the CPD Office that approved the change(s) and the date.</p>
<p>Describe Basis for Conclusion:</p> <div style="border: 1px solid black; height: 80px; margin-top: 5px;"></div>

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9.

a. Are the uses of Section 108 and/or EDI/BEDI funds substantially consistent with the uses presented in the approved or amended Section 108 and/or EDI/BEDI application?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A

Describe Basis for Conclusion:

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b. If the uses of funds have substantially changed from those presented in the approved or amended Section 108 and/or EDI/BEDI grant application, has the Borrower shown evidence that HUD approved the substantial change to the use of funds? [24 CFR 570.504(c)(5)]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A

Describe Basis for Conclusion:

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c. Provide the name(s) of the CPD Office that approved the substantial change(s) and the date.

Describe Basis for Conclusion:

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10.

If activities have been added to or deleted from the approved application(s) or if there has been a substantial change in the use of funds, has the Borrower complied with the required citizen participation requirements? [24 CFR 570.704]	<table><tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr><tr><td>Yes</td><td>No</td><td>N/A</td></tr></table>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No	N/A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Yes	No	N/A					
Describe Basis for Conclusion: 							

11.

Is the Borrower reporting on the use of Section 108 and EDI/BEDI funds in the Consolidated Annual Performance and Evaluation Report (CAPER)? [24 CFR 570.507]	<table><tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr><tr><td>Yes</td><td>No</td></tr></table>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No
<input type="checkbox"/>	<input type="checkbox"/>				
Yes	No				
Describe Basis for Conclusion: 					

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B. SECTION 108 SECURITY REQUIREMENTS

12.

a. Does the Section 108 Contract for Loan Guarantee Assistance contain other security requirements, in addition to the pledge of CDBG funds and program income? [Section 108 Contract for Loan Guarantee Assistance, Paragraph 15, Part II]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Describe Basis for Conclusion: <div style="height: 150px; border: 1px solid black;"></div>		

13.

Has a “documents custodian” been selected and a custodial account set up for the documents establishing the security for the Section 108 Guaranteed Loan? [Section 108 Contract for Loan Guarantee Assistance, Paragraph 15, Part II]	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
Describe Basis for Conclusion: <div style="height: 150px; border: 1px solid black;"></div>			

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14.

Have the documents establishing the security for the Section 108 Guaranteed Loan been submitted to the appropriate “documents custodian?” [Section 108 Contract for Loan Guarantee Assistance, Paragraph 15, Part II]	<div style="display: flex; justify-content: space-around;"><div><input type="checkbox"/> Yes</div><div><input type="checkbox"/> No</div><div><input type="checkbox"/> N/A</div></div>
Describe Basis for Conclusion: 	

C. SECTION 108 FINANCIAL MANAGEMENT

Instructions: Use the Instructions provided at the beginning of this Exhibit to complete the following section. Review to determine that the appropriate accounts have been established for both proceeds of the note sale and for program income, and that the Borrower’s accounts are periodically reconciled with the bank’s accounts. Review to determine if the Borrower has implemented financial management practices consistent with Subpart M and the Section 108 Contract for Loan Guarantee Assistance. Trace several transactions to ensure: proper payment from each account; use of the funds for authorized purposes and consistent with contract provisions; adequate source documentation; payment documentation to support disbursements; and adequate Borrower Review of internal controls.

15.

a. Have all loan funds and program income been deposited in the approved custodial account(s), i.e., the Guaranteed Loan Funds account and the Loan Repayment account? [Section 108 Contract, Attachments 1 and 2, and 24 CFR 570.705]	<div style="display: flex; justify-content: space-around;"><div><input type="checkbox"/> Yes</div><div><input type="checkbox"/> No</div></div>
Describe Basis for Conclusion: 	

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b. Are any amounts deposited in the accounts in error or questionable?	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No
Describe Basis for Conclusion:		

16.

Have the funds from the Guaranteed Loan Fund account(s) been used solely for the project activity or activities? [Section 108 Contract for Loan Guarantee Assistance, Paragraph 15, Part II]	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No
Describe Basis for Conclusion:		

17.

Is the Borrower depositing program income in the "Loan Repayment Account?" [Section 108 Contract for Loan Guarantee Assistance, Paragraph 6, Part II]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
Describe Basis for Conclusion:			

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<p>Has the Borrower reported program income generated by the Section 108 activities in its financial records and the Consolidated Annual Performance and Evaluation Report (CAPER)?</p> <p>[24 CFR 91.520]</p>	<div> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </div> <div> Yes No N/A </div>
<p>Describe Basis for Conclusion:</p>	

If depository and/or repayment investment accounts have been established, have funds in the accounts been invested in obligations and with maturities as authorized? [Section 108 Contract for Loan Guarantee Assistance, Paragraphs 1 and 6]	<div> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </div> <div> Yes No N/A </div>
Describe Basis for Conclusion:	

<p>If the balance in any custodial account exceeds the amount of Federal insurance, has the excess amount been invested in Government obligations?</p> <p>[Section 108 Contract for Loan Guarantee Assistance, Paragraph 1, Part II]</p>	<div> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </div> <div> Yes No N/A </div>
<p>Describe Basis for Conclusion:</p>	

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D. EDI/BEDI GRANT FINANCIAL MANAGEMENT

Instructions: Use the Instructions provided at the beginning of this Exhibit to complete this section. Review to determine if the Borrower has implemented financial management practices consistent with Subpart M, LOCCS and the EDI/BEDI Grant Agreement. Trace several transactions to ensure: proper payment from each account; use of the funds for authorized purposes and consistent with EDI/BEDI contract provisions; adequate source documentation; payment documentation to support disbursements; and adequate Borrower Review of internal controls.

21.

Has the Borrower maintained the required ratio of EDI/BEDI funds drawn to Section 108 funds drawn? [EDI/BEDI Grant Agreement, Paragraph 3]	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes No N/A
Describe Basis for Conclusion: <div style="height: 100px; border: 1px solid black;"></div>	

22.

If the EDI/BEDI grant agreement provides an extended time period for achieving the specified ratio of BEDI/EDI funds to Section 108 funds drawn, can the Borrower document compliance with the ratio within the time period specified? [EDI/BEDI Grant Agreement, Paragraph 3]	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes No N/A
Describe Basis for Conclusion: <div style="height: 100px; border: 1px solid black;"></div>	

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23.

<p>a. If the EDI/BEDI grant agreement provides for the EDI or BEDI funds to be used to establish a special account (i.e., debt service reserve, loan loss or operating reserve account), is the account reflected on the books of the Borrower? [EDI/BEDI Grant Agreement, Paragraph 2]</p>	<div style="display: flex; justify-content: space-around;"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </div> <div style="display: flex; justify-content: space-around; font-weight: bold; font-size: small;"> Yes No N/A </div>
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<p>Describe Basis for Conclusion:</p>	
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<p>b. If the EDI/BEDI grant agreement provides for EDI or BEDI funds to be used to establish a special account (i.e., debt service reserve, loan loss or operating reserve account), is there evidence of a bank account maintained by a local bank and statements evidencing that the Borrower has such an account? [EDI/BEDI Grant Agreement, Paragraph 2]</p>	<div style="display: flex; justify-content: space-around;"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </div> <div style="display: flex; justify-content: space-around; font-weight: bold; font-size: small;"> Yes No N/A </div>
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<p>Describe Basis for Conclusion:</p>	
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<p>c. Is the amount used to fund the special account(s) equal to the amount stipulated in the grant agreement? [EDI/BEDI Grant Agreement, Paragraph 2]</p>	<div style="display: flex; justify-content: space-around;"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </div> <div style="display: flex; justify-content: space-around; font-weight: bold; font-size: small;"> Yes No N/A </div>
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<p>Describe Basis for Conclusion:</p>	
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<p>d. If there are unexpended grant funds, are these funds used in compliance with CDBG Entitlement program income requirements? [24 CFR 570.504 and EDI/BEDI Grant Agreement, Paragraph 6]</p>	<div> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> </div> <div> Yes No N/A </div>
<p>Describe Basis for Conclusion:</p>	